

ORGANIZATIONAL EXAMINATION
OF
VANTAGE RISK INSURANCE CORPORATION
AS OF
MARCH 22, 2021

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON ORGANIZATIONAL EXAMINATION

OF

VANTAGE RISK INSURANCE CORPORATION

AS OF

MARCH 22, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 12 day of April, 2021

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March 25, 2021

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 201
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 21.902, dated March 18, 2021, an Organizational Examination has been conducted of the

Vantage Risk Insurance Corporation

hereinafter referred to as VRIC or the Company. VRIC was incorporated under the laws of the State of Delaware as a stock, property and casualty, surplus lines insurance company.

The Company's registered agent is Intertrust Corporate Services Delaware Ltd. with its registered office located at 200 Bellevue Parkway, Suite 210, Wilmington, DE 19809. The Company's administrative office address is located at 444 W. Lake Street, 17th Floor, Chicago, IL 60606.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a surplus line Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of March 22, 2021, have been reviewed.

HISTORY

The Company was incorporated on January 29, 2021, under the laws of the State of Delaware and is authorized to issue one hundred thousand (100,000) common shares with \$50 par value per share. The following common stock certificates were issued by the Company to Vantage Risk Holdings Corporation (VRHC), a Delaware holding corporation:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Surplus</u>	<u>Total</u>
#0001	10,000	01/29/2021	\$500,000	\$19,500,000	\$20,000,000

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted January 29, 2021, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be no less than three nor more than fifteen and may be fixed from time to time by the stockholder or Board. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified.

The directors serving as of the examination date were as follows:

Gregory S. Hendrick
John “Jack” Kuhn
Aurora J. Swithenbank
Bobbi O. Anderson

Committees of the Board of Directors

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a President, a Secretary, a Treasurer, and other officers as deemed necessary, who shall be elected by the Board and who shall hold office until their successors are elected and qualified. Any number of offices may be held by the same person unless the certificate of incorporation or the bylaws otherwise provide.

The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Gregory S. Hendrick	President & CEO
Bobbi O. Anderson	Secretary & General Counsel
Aurora J. Swithenbank	Treasurer
John “Jack” Kuhn	Chief Executive of Insurance

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for each of the directors and officers noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective February 2, 2021.

Conflict of interest statements were completed by the officers listed above and will be executed by the remaining directors upon licensure. There were no disclosed conflicts of interest at the present time.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The organizational structure as of the examination date with control percentages of the upstream entities’ control of the downstream entities [and domicile in brackets] is presented below:

	<u>Ownership Control Percent</u>	<u>Voting Control Percent</u>
H&F Corporate Investors IX, Ltd. [Cayman Islands] {1}		
H&F Vantage Aggregator, L.P. [Cayman Islands]	48.0%	48.0%
Vantage Group Holdings Ltd. [Bermuda]	100.0%	100.0%
Vantage Risk Ltd. [Bermuda]		
Vantage Risk Holdings Corporation [DE]	100.0%	100.0%
Vantage Risk Insurance Services Corporation [DE]		
Vantage Services LLC [DE]		
Vantage Risk Insurance Corporation [DE]		
Daniel D’Aniello {2}		
David Rubenstein {2}		
William Conway {2}		
Carlyle Group Management L.L.C. [DE]		
The Carlyle Group Inc. [DE]		
Carlyle Partners VII Cayman Holdings V, L.P. [Cayman Islands]	48.0%	48.0%
Vantage Group Holdings Ltd. [Bermuda]	100.0%	100.0%
Vantage Risk Ltd. [Bermuda]		
Vantage Risk Holdings Corporation [DE]	100.0%	100.0%
Vantage Risk Insurance Services Corporation [DE]		
Vantage Services LLC [DE]		
Vantage Risk Insurance Corporation [DE]		

{1} Considered an ultimate controlling entity of the Company through its downstream interests in corporations, limited liability corporations and limited partnerships of the H&F Vantage Aggregator, L.P.’s 48% ownership of the voting securities of Vantage Group Holdings Ltd. The full organizational chart is on file with the Delaware Department of Insurance (Department). Management reports that there is no individual or entity that owns greater than 10% of H&F Corporate Investors IX, Ltd.

{2} An individual, considered an ultimate controlling entity of the Company through Carlyle Group Management L.L.C. and The Carlyle Group Inc., then through its downstream interests in corporations, limited liability corporations and limited partnerships of the Carlyle Partners VII Cayman Holdings V, L.P.'s 48% ownership of the voting securities of Vantage Group Holdings Ltd. The full organizational chart is on file with the Department.

FIDELITY BOND

The Company is covered by a financial institution bond through upstream parent Vantage Group Holdings Ltd. with an aggregate liability limit of \$5,000,000 and a single loss deductible of \$100,000. Based on the pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$250,000 at year-end 2021, \$400,000 at year-end 2022, and \$450,000 at year-end 2023.

AGREEMENTS

Affiliated

As of the examination date, the Company is not a party to any intercompany tax allocation agreement, claim services agreement, management agreement or administrative services agreement.

The Company has proposed an Administrative Services Agreement with affiliate Vantage Services LLC (VSL) and other as-yet-unnamed affiliates.

Upon licensure, the Company intends to file and obtain approval of affiliated agreements through Form D filings with the Department.

Unaffiliated

The Company entered into a Custodial Agreement with non-affiliate BNY Mellon Trust of Delaware effective March 16, 2021.

The Company intends to enter into an Investment Management Agreement with non-affiliate Blackrock Financial Management, Inc. upon licensure.

PLAN OF OPERATION

The Company intends to seek business opportunities in the following lines of business: excess casualty, management liability, professional liability and medical malpractice. In addition to assuming reinsurance, the Company intends to accept the business on a non-admitted basis in all 50 U.S. States and the District of Columbia. The Company does not plan to advertise directly to consumers.

REINSURANCE

At the present time, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated. The Company must file and obtain approval of material affiliated reinsurance agreements through Form D filings with the Department.

For all lines except property, the Company intends to cede an estimated amount of 50% of all written premium initially. For property, the Company expects to cede approximately 70% of all written premiums initially due to the potential correlation with business written by affiliate Vantage Risk Ltd.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$500,000 as the minimum common capital stock for a stock insurance company authorized to write multiple lines property and casualty insurance. 18 *Del. C.* §1932(a) requires \$15,000,000 as the minimum policyholder surplus for a domestic surplus lines insurer. The Delaware Domestic/Foreign Insurers Bulletin No. 45 effective October 14, 2011,

requires that newly-formed Delaware-domestic surplus lines insurers have \$15,000,000 as the minimum capital and surplus. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$ 500,000
Gross Paid-in and Contributed Surplus	<u>14,500,000</u>
Capital and Surplus as Regards Policyholders	<u>\$15,000,000</u>

FINANCIAL DATA

The financial position of the Company as of March 22, 2021, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Cash, Cash Equivalents and Short-term Investments	<u>\$20,000,000</u>	1
Total Admitted Assets	<u>\$20,000,000</u>	
 <u>Liabilities, Capital and Surplus</u> 		
General Expenses Due and Accrued	<u>\$ 0</u>	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$500,000	
Gross Paid In and Contributed Surplus	19,500,000	
Unassigned Funds	<u>0</u>	
Capital and Surplus as Regards Policyholders	<u>\$20,000,000</u>	
Total Liabilities, Capital and Surplus	<u>\$20,000,000</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1	Cash, Cash Equivalents and Short-term Investments	\$20,000,000
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The reported balance of \$20,000,000 consists of cash in a custody account at BNY Mellon Trust of Delaware, which was confirmed directly with the financial institution.

RECOMMENDATIONS

There are no recommendations with regard to the examination.

CONCLUSION

Based on the organizational examination conducted as of March 22, 2021, the financial condition of the Company is as follows:

Assets	\$20,000,000
Liabilities	<u>0</u>
Capital and Surplus as Regards Policyholders	<u>\$20,000,000</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,

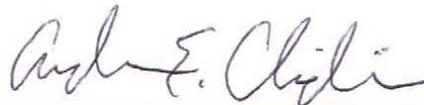


Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 21.902.

A handwritten signature in cursive script, reading "Andrew E. Chiodini".

Andrew E. Chiodini, CFE